



ACC Comments on the CAISO's Day-Ahead Market Enhancements Issue Paper and Straw Proposal

March 21, 2018

The American Wind Energy Association California Caucus (ACC) appreciates the California Independent System Operator's (CAISO) efforts to evaluate and propose enhancements to the Day-Ahead Market (DAM). Overall, ACC supports the proposed direction in this initiative and the CAISO's efforts to propose measures to help better manage the net load curve and increase efficiency and reliability.

Together the proposed modifications to the DAM appear to offer meaningful improvements to help the CAISO better utilize various tools to reliably and efficiently meet the net load curve. ACC looks forward to continued discussion on these proposals, including how the quantity of imbalance reserve product will be determined.

While ACC generally supports the proposed direction of the DAM enhancements, ACC does have concerns with the cost allocation methodology that the ISO has proposed. ACC's concerns with the cost allocation proposal fall into two areas:

1. Cost allocation may not be consistent with cost causation, as imbalance reserves are procured to meet *forecasted* uncertainty but are, at least partially, allocated to *actual* deviations
2. Cost allocation for a new product may not generally be covered by existing Power Purchase Agreements (PPAs) and, if this new product is allocated to generators, there may be a need for additional time for modifications to PPAs to be made to address the handling of this new product category

ACC points out that the procurement of the imbalance reserve product is based on "expected" uncertainty, not actual uncertainty that occurs in a given interval. Therefore, there could be an hour for which significant imbalance reserves were acquired, but none were needed (as there were no deviations from schedules). This extreme example helps illustrate the questionable practice of allocating imbalance reserve product costs to those with actual imbalances. ACC appreciates that the CAISO's cost allocation methodology does help address this to some extent by allocating some costs to Measured Demand, thereby helping mitigate a large cost allocation for a small deviation. However, because imbalance reserves are forecast to address "expected" uncertainty rather than actual uncertainty, the allocation of costs to actual deviations deserves further discussion and examination to ensure it is roughly commensurate with cost causation.



ACC is also concerned that the creation of a new product, which was not anticipated when existing PPAs were signed, will require modification to some PPAs. A similar process was required with the CAISO phased out the Participating Intermittent Resource Program (PIRP). That transition was time consuming and difficult. The CAISO should seek to better understand how many PPA modifications would be required to address the allocation of costs for this new imbalance reserve product and report the information it learns back to stakeholders. While this concern may not exist for resources where the offtaker is also the Scheduling Coordinator, ACC is concerned that, if many PPAs require modification, allowing time for such modifications could delay the implementation of the DAM Enhancements.

Therefore, ACC requests the CAISO take a closer look at cost allocation and request generator/load-serving entity input on the number of PPAs which would require modification to address this cost allocation proposal. The CAISO should use the information to help inform potential changes to the cost allocation proposal and/or the proposed implementation schedule of these enhancements.

ACC appreciates the opportunity to comment and looks forward to working with the CAISO on this initiative and in expanding the DAM to the Energy Imbalance Market.